



# *News Release*

## **PRESS OFFICE**

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### **TREASURY, SBA HOST SMALL BUSINESS FINANCING FORUM**

*See below for biographies of the small business owners in attendance*

Today's Small Business Financing Forum marks another step in the Obama Administration's commitment to ensuring small businesses can play a crucial role in leading job growth and recovery. As they search for the best ideas and strategies to bring to the President, Treasury Secretary Tim Geithner and Small Business Administrator Karen Mills will build on the measures the Obama Administration has already taken to help small businesses expand through increased access to credit and new tax cuts as part of the American Recovery and Reinvestment Act.

#### **Obama Administration's Actions to Support Small Business**

##### **Improving Access to Credit**

- Increasing SBA Weekly Loan Volume by More Than 75 Percent Through Higher Loan Guarantees, Fee Eliminations and Efforts to Unfreeze the Secondary Market
- Putting in Place New Reporting Requirements for Small Business Lending
- Setting Out New Steps to Further Increase Lending to Small Businesses Through Larger SBA Loan Sizes and Low-Cost Capital to Community Banks and CDFIs

##### **Cutting Taxes for Small Businesses**

- Extension of Enhanced Small Business Expensing
- Five-Year Carryback of Net Operating Losses
- Exclusion of Small Business Capital Gains
- Estimated Tax Payment Relief

##### **Supporting Small Businesses Through Contracting Programs**

- 26.7 Percent of Recovery Act Contracts Have Gone To Small Businesses

#### **I. Administration Efforts to Improve Access to Credit**

- **Since the Transition, Treasury and SBA Have Worked Together to Increase Access to Credit for Small Businesses:**
  - ***Recovery Act Provisions Raised Loan Guarantees and Reduced Fees for SBA Programs:*** As part of the Recovery Act, the Administration increased the maximum guarantee on 7(a) loans to 90 percent and temporarily eliminated borrower fees for the 7(a) program and both borrower and lender fees for 504 loans.
  - ***Treasury Worked With SBA to Introduce Programs to Unlock Secondary Markets:*** On March 16, Treasury and SBA announced a new initiative to make direct purchases of securities backed by 7(a) loans on the secondary market. In response to concerns that TALF as originally designed would not have any impact on SBA secondary markets, Treasury and SBA also worked with the Federal Reserve to improve the terms under the program for securities backed by SBA-guaranteed loans.
  - ***Additional SBA Efforts to Improve Access to Credit:*** SBA has taken other efforts to increase access to credit, including:
    - ***Expanding 7(a) Loan Eligibility to More Than 70,000 Businesses Through Alternate Size Standards***
    - ***Supporting \$30 Million in Inventory Financing for Auto, RV and Boat Dealerships Under a New Dealer Floor Plan Financing Pilot Program***
    - ***Approving More Than 4,000 ARC Loans Totaling \$130 Million to Viable Businesses***
- **SBA Weekly Loan Volume Is Up More Than 75 Percent Since the Beginning of the Year:** Compared to the beginning of the year – before the Recovery Act provisions were implemented and the secondary market initiative was announced – average weekly SBA loan volume for the 7(a) and 504 programs is up 79 percent. Since February, more than 900 lenders have made SBA loans that had not done so since 2007.
- **Secondary Markets Have Recovered:** In January 2009, the total volume of loans settled from lenders to broker-dealers on the secondary market for SBA loans had fallen to just \$85.9 million. From May to October, however, the average monthly volume settled to broker-dealers was \$344 million – above pre-crisis levels. Market participants have publicly cited the TALF program – which has financed more than \$1 billion in purchases of SBA securities – and the announcement of a secondary market purchase program under the Financial Stability Plan as helping to unfreeze the markets, providing lenders with the promise of increased liquidity if they make new loans.
- **New Reporting Requirements for Small Business Lending:** Since June, Treasury's monthly lending survey, which tracks the 22 largest institutions receiving TARP funds, has included data on small business lending, allowing the Administration to better monitor the impact of the Financial Stability Plan on small businesses. In addition, Treasury is working with the bank supervisors to require all banks to report their small business lending in their quarterly call reports, rather than simply once a year, beginning in the first quarter of 2010.

- **Treasury and SBA Have Announced Steps to Go Further:**
  - **New Programs Under the Financial Stability Plan to Increase Small Business Lending:** Last month, the President announced two new programs under the Financial Stability Plan designed to increase access to credit for small businesses. These programs –for which Treasury is preparing final terms – will support institutions that do a disproportionate share of their lending to small businesses through:
    - An initiative that provides lower-cost capital to community banks that submit a plan to increase small business lending
    - A program to support Community Development Financial Institutions lending to small businesses in the hardest-hit rural and urban communities
  - **Increasing the Cap on SBA Loans:** The Administration has called for increasing the maximum size of 7(a) loans to \$5 million and increasing the maximum 504 loan guarantee from \$2 million to \$5 million for standard borrowers and \$4 million to \$5.5 million for manufacturers. Increasing the maximum SBA loan size will allow more small businesses to get the credit they need to grow their businesses and hire additional workers.

## **II. Cutting Taxes for Small Businesses**

In its efforts to support an economic recovery, the Administration has enacted tax cuts for small businesses, providing them with a boost to their cash flow that can help them support an economic recovery:

- **Extension of Enhanced Small Business Expensing:** The Recovery Act allows small businesses to immediately write off up to \$250,000 of qualified investment in 2009, providing an immediate tax incentive to invest and create jobs. This provision is estimated to cut small business taxes by more than \$1 billion in 2009 and 2010.
- **Five-Year Carryback of Net Operating Losses:** The Recovery Act allows small businesses to carry back 2008 net operating losses (NOLs) for up to five years, as opposed to two years under prior law. This longer carry back period gives small businesses that experienced losses in 2008 the ability to get immediate refunds of income taxes they paid in earlier years and is estimated to give back \$4.7 billion to small businesses in 2009. The unemployment insurance bill signed by the President on November 6 extended this provision by a year as part of a broader expansion of the provision to more businesses.
- **Exclusion of Small Business Capital Gains:** The Recovery Act encourages investment in small businesses by excluding from taxation 75 percent of the capital gains for investors in small businesses that hold their investments for five years. The President's Budget proposes to completely eliminate the capital gains tax on this small business stock.
- **Estimated Tax Payment Relief:** The Recovery Act provides immediate tax relief for small businesses by reducing their liability for estimated tax payment by about \$275 million in 2009.

### **III. Supporting Small Businesses Through Contracting Programs**

- **Recovery Act Contracts Are Getting Into The Hands Of Small Businesses:** SBA is responsible for ensuring that 23 percent of all federal government contracts go to small businesses. As of November 9, 2009, 26.7 percent of federal agency Recovery Act contracting dollars have gone into the hands of small businesses.
- **The SBA Is Taking Steps To Support Disadvantaged Small Businesses In Government Contracting:** Vice President Biden, SBA and the Department of Commerce are co-leading a Stakeholder Outreach Initiative to promote Recovery Act contracting outreach for small and disadvantaged businesses.

### **Speaker Bios: Small Business Owners**

#### **Charles Baker, MCB Lighting Solutions, Owings Mill, MD**

After retiring from the U.S. Air Force, Charles Baker founded MCB Lighting & Electrical, Inc. and Government Logistics Solutions. His company offers unique and innovative construction and product solutions, including green technology. Charles has been actively engaged with both the House and Senate Small Business Committees and the Veteran Affairs Subcommittee, where he has represented Veterans on the issue of procurement regulation changes favorable to service-disabled Veterans.

#### **Andy Cabral, Dunkin Donuts, Washington, DC Metropolitan Region**

The son of Portuguese immigrants, Andy Cabral started his business on an SBA loan and now runs 10 Dunkin Donuts stores across Maryland and Virginia that employ 130 people. Like many franchise owners, Andy has recent hit the \$2 million cap on SBA loans and has had difficulty getting commercial loans because of the financial crisis.

#### **Kevin Galvin, Connecticut Commercial Maintenance, West Hartford, CT**

Connecticut Commercial Maintenance is a 27 year old property maintenance company which employs seven people, doing commercial property maintenance, local residential repair, and facility management consulting in the Hartford area and throughout the country. As the Chair of Small Businesses for Health Care Reform, Kevin has worked tirelessly to bring small business to the table and give them a voice in the debate over health care reform.

#### **Lani Hay, Lanmark Technologies, Fairfax, VA**

Lanmark Technologies evolved from a one-woman consulting firm to a multi-million dollar technology enterprise providing telecommunications, technology and administrative services and systems for clients such as federal agencies, state and city government offices, small businesses and Fortune 500 companies. LMT is an SBA 8(a) certified, Woman-owned, Service-Disabled Veteran-owned, Small Disadvantaged Business. Thanks to a contract received through the American Recovery and Reinvestment Act, LMT was recently able to hire five new employees.

#### **William Ortiz-Cartagena, Gentle Parking, San Francisco, CA**

A native San Franciscan with extensive experience in the hospitality industry, William Ortiz-Cartagena founded Gentle Parking with the belief that parking should be a service, not simply a commodity. After being adversely affected by the economic downturn, Gentle Parking found critically needed financing from the Opportunity Fund, a Treasury certified Community

Development Financial Institution, who received addition funding though the Recovery Act. Gentle Parking has now been enabled to open a new location of their eco-friendly parking lot management company, stimulating the local economy and creating jobs.

Mike Tie, Paramount Building Solutions, Tempe, AZ

Paramount Building Solutions provides comprehensive, high-quality janitorial services for retail locations including national big-box, grocery and drugstore chains. Their focus on customer service, reliability, training, and communication has allowed them to succeed. Over the years, Paramount Building Solutions has benefited from investments by Small Business Investment Companies (SBICs). The company was selected as “Portfolio Company of the Year” by the National Association of Small Business Investment Companies.

Susan Walvius, SHEEX, Chapin, SC

SHEEX designs, distributes and markets luxury bedding products crafted from advanced athletic-quality performance fabrics. The SHEEX mission is to provide health-conscious and active-lifestyle consumers with a superior alternative to traditional cotton sheets and pillowcases through the use of advanced materials that maximize breathability, heat transfer, moisture control and stretchability. SHEEX is in the process of seeking several million dollars in capital as they prepare to launch their product in national retail chains.

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